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Hundreds of thousands of Army employees could face outsourcing

By Jason Peckenpaugh
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In what would be the biggest privatization project ever attempted by a federal agency, the Army is planning to let private companies compete for the jobs of 213,637 of its personnel—including 154,910 civilians.

The initiative would dwarf previous rounds of outsourcing in the Army and would involve white-collar workers who up to now have been off-limits to privatization. It would sweep up accountants, attorneys, computer technicians and all Army employees performing work designated as “noncore.”

More than 58,000 military personnel would also face job competitions under the initiative, but any soldiers who lose in the competitions would be transferred to meet other requirements within the Army. The Army has no plans to cut its fighting force, and the initiative could allow the Army to use more soldiers as warfighters, according to Pentagon sources. “We want to get military personnel into military functions,” said one official. Officially, the Army would not comment on the initiative, which it termed “pre-decisional.”

The initiative, outlined in a draft memorandum from Army Secretary Thomas White and other Army documents obtained by GovExec.com, reflects a strong belief in public-private competition as a method for transforming the Army. It envisions an Army where employees perform their core mission of warfighting and support functions are left to the private sector. “The Army must focus its energies and talents on functions we perform better than anyone else as core competencies, and seek to obtain other needed products or services from the private sector where it makes sense,” White stated in his memo.

Additionally, the initiative would help the service meet targets for public-private competition set by the White House.

In size and scope, the Army project would be unprecedented. Since 1996, the entire Defense Department has competed about 220,000 jobs. The White House has set a governmentwide job competition target of 127,500 jobs by October 2003. The Army plan, by contrast, would subject well over 200,000 employees to public-private competition over a timeframe that has not been determined.

“That is a huge program,” said Dale Warden, chief operating officer with Warden Associates, a Springfield, Va.-based company that helps agencies conduct job competition studies.

The initiative, which Army documents refer to as “The Third Wave” to distinguish it from two previous outsourcing efforts, is the outcome of a months-long effort to identify “core” and “noncore” jobs within the service. The other military services are conducting similar reviews in conjunction with the Business Initiatives Council, a Defense reform council established by Defense Secretary Donald Rumsfeld. White’s letter directs Army commands to submit plans for competing all “noncore functions” within the Army by Dec. 20.

“Your plan will include 100 percent of spaces eligible for private sector performance (i.e. noncore) unless an exemption is approved by the Assistant Secretary of the Army for Manpower and Reserve Affairs,” White’s memo states.

To meet the 100 percent target, Army commands could use the public-private competition process governed by Circular A-76, outright privatization, and a variety of “alternatives to A-76,”

according to the letter. Most of the alternatives, which include setting up "transitional benefit corporations"-in which outsourced employees would temporarily keep federal benefits-and establishing partnerships between cities and military bases, would require authorization from Congress, according to Army documents.

Federal employee unions immediately condemned the Army plan and vowed to lobby members of Congress to stop it. "Rather than save money, this Army privatization scheme is all about moving money-to politically well-connected contractors," said Bobby Harnage, president of the American Federation of Government Employees. "AFGE will work with Republican and Democratic lawmakers alike to defeat the Army's efforts to secure the necessary congressional authorization for this wholesale privatization."

Harnage also challenged Angela Styles, administrator of federal procurement policy and the lead Bush official on competitive sourcing, to repudiate the Army plan. But Styles refused. "It's quite an exaggeration to say it's a privatization effort," she said. "I compliment the Army and Defense Department for taking a very hard look at how they manage and what's core and noncore."

Styles had no reservations about the size of the Army plan. "It certainly is up to the departments and agencies to determine how they want to do it," she said.

Stan Soloway, president of the Professional Services Council, an association of federal contractors, also praised the initiative. "White seems to be saying they're going to get serious about this and do it in a very strategic way," he said.

But the Army could be overwhelmed by the work entailed in holding so many public-private job competitions, said Warden, whose company is helping 12 federal departments hold A-76 competitions right now. "I'm concerned about their ability to actually do all these studies," he said. "The Army has never built up the organic capacity to pull this stuff off, and quite honestly the commercial industry is saturated with all the [A-76] work at civilian agencies."

"Noncore" Army employees
Function Military Civilian
Acquisition, Logistics and Technology 18,412 36,649
Civil Works 195 24,251
Financial Management and Comptroller 1,880 3,647
Installations and Environment 1,386 27,407
Manpower and Reserve Affairs 32,680 50,717
General Counsel 373 639
Chief Information Officer 3,060 9,807
TAG 297 1,072
Certified Public Accountants 444 721

Source: Army documents

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Daily Briefing

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Army secretary approves massive outsourcing plan

By Jason Peckenpaugh
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Army Secretary Thomas White has approved a plan that could require that more than 200,000 Army jobs be put up for competition with private firms, but a key congressman Wednesday warned the service to consult with Congress before outsourcing any jobs.

In an Oct. 4 memorandum, White signed off on a plan to let private firms compete for all "noncore" positions in the Army, which includes 154,910 civilian workers—more than half of the Army's civilian workforce—and 58,727 military personnel. The initiative, which Army leaders refer to as "The Third Wave," will be "bigger and faster" than previous Army outsourcing efforts, according to White. It is designed to help the service concentrate on its "core competencies" and aid in the war on terrorism, he added.

"The Army must focus its energies and talents on our core competencies—functions we perform better than anyone else—and seek to obtain other needed products or services from the private sector where it makes sense," he wrote. "Moreover, the Army must quickly free up resources for the global war on terrorism, and do so in a way that avoids disruption to our core operations."

But Rep. Solomon Ortiz, D-Texas, the ranking member on the Readiness Subcommittee of the House Armed Services Committee, warned the Army to vet the initiative with Congress before proceeding and expressed "serious concerns" with the plan. "I just hope they don't start contracting out this stuff without letting Congress know what they're doing, because Congress will come down very hard on them," he said.

"We are in the process of notifying Congress," an Army official responded. "Congress became aware of the Third Wave in advance of our normal process of congressional notification and public announcement."

Commands are to start work on plans to compete all "noncore" functions this month, according to Army documents obtained by *Government Executive*. White will approve all outsourcing plans by March 2003.

Army commands can use a variety of techniques to meet the outsourcing target, including the public-private competition process outlined in Office of

Management and Budget Circular A-76 and a variety of alternatives to A-76, some of which would not allow Army employees to compete for their jobs. Defense's Business Initiative Council has been developing the alternatives, which include creating quasi-governmental corporations and "city-base partnerships," such as the partnership at Brooks Air Force Base, Texas.

Most of the A-76 alternatives will require special legislation from Congress and approval from the Office of Management and Budget, according to Army documents. Unions representing federal employees oppose the alternatives, and the new approaches did not win the endorsement of the Commercial Activities Panel, a congressionally chartered group that recommended ways to fix the A-76 process earlier this year. The panel concluded that Defense employees should have a chance to compete for their jobs, according to Comptroller General David Walker, the panel's chair.

"The Commercial Activities Panel made it very clear that with regard to the Defense Department, to the extent you are dealing with activities that are currently performed by federal employees, except in *de minimis* situations those activities should be subject to some type of competition," said Walker. *De minimis* situations refer to outsourcing projects involving 10 or fewer federal jobs.

The White memorandum closely tracks an earlier draft memorandum, but the official document contains some differences. For example, the earlier memorandum did not mention the war on terrorism as a motive for the project, instead citing the need to focus on core competencies and meet OMB job competition targets.

At a Thursday briefing with reporters, Army officials said the earlier memorandum was simply incomplete and did not reflect the official position of the department since it was not signed. "It's not the secretary's position until it's signed," said John Anderson, assistant deputy assistant secretary of the Army for manpower and management.

The president of the largest federal employee union was unconvinced. "Just as 'patriotism is the last refuge of a scoundrel,' invoking the 'war on terrorism' seems to be the first refuge of a privatizer," said Bobby Harnage, president of the American Federation of Government Employees, which opposes the Army plan.

Army commands have until Oct. 29 to request exemptions to the requirement that they compete all noncore jobs. Army headquarters will consider exemptions for noncore functions if commands can show that shifting them to the private sector would disrupt core missions. The service will also hear internal challenges to its classification of core and noncore jobs. "Do not assume that the designation of a function as noncore is 'carved in stone,'" Army officials said in documents sent with White's memo.

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Order Could Affect Many Workers In Corps' Mobile Offices

Bush administration orders civil works program opened to private enterprise; impact on Mobile office unclear

By Sean Reilly, Washington Bureau

WASHINGTON -- As part of a sweeping and controversial restructuring plan, the Bush administration has ordered the U.S. Army Corps of Engineers to open its entire civil works program to competition from private businesses, according to government documents and people familiar with the issue.

In an Oct. 4 memo to top administrators, Army Secretary Thomas White said the Army must focus its energies on "core competencies," while obtaining other goods and services from the private sector when that makes sense.

Among the Army operations that White has placed outside that core category is the Corps of Engineers' civil works program, which encompasses hundreds of flood control and river navigation projects across the country. Up to about 32,500 military and civilian employees could be affected, according to agency documents.

Under one timetable, corps officials would have until December to develop a blueprint for competition, with implementation to follow some time after next March.

The initiative carries the potential to affect a large chunk of the work force in the corps' district offices in Mobile and Irvington, which together employ almost 700 people. Of those, "hundreds" are engaged in civil works, spokeswoman Jan Shelby said Tuesday, although she could not give a precise number. She had no further details on White's memorandum or its possible impact locally.

In an e-mail to employees last Thursday, corps commander Lt. Gen. Robert Flowers acknowledged their concerns, but seemed equally at a loss for information.

"I would like to be able to tell you that we have all the answers to your questions, but at this point, we don't," Flowers wrote. He pledged that the corps brass would do its best to make higher-ups understand that "the entire corps is 'core' to the war fight."

In recent years, the corps has come under intense criticism in some circles for embarking on costly and environmentally questionable endeavors while failing to produce solid economic returns. Defense Secretary Donald Rumsfeld reportedly hopes to split the corps and shift its responsibilities to the Interior and Transportation departments.

Privatization of government work offers the opportunity to produce more bang for the taxpayers' buck, according to boosters of the concept.

In his memo, White wrote that the Army had to free up resources quickly for the war on terrorism. At the Pentagon, Army spokesman Maj. Rudy Burwell added Tuesday that the military simply seeks the "best value."

"It could be in-house. It could be contracted," Burwell said.

For federal workers, however, the possibility of privatization inevitably stokes worries about job security, salary and benefits.

At the American Federation of Government Employees, a Washington, D.C.-based union representing about 600,000 workers, Public Policy Director Jacqueline Simon charged that White is bent on steering contracts to administration friends by bypassing the regulations used for past public-private competitions.

"The taxpayer gets the shaft," Simon said, contending that the plan would also have a "terrible" effect on military readiness.

Burwell declined comment on her allegations.

Without question, White's proposal dwarfs the Army's two previous forays into privatization. Along with the corps, more than a dozen other Army organizations would be pushed to open their jobs to competition. Almost 214,000 employees could be affected in all, about three-quarters of them civilians.

In separate prepared statements, Alabama's two top lawmakers responded warily. U.S. Sen. Richard Shelby, a Tuscaloosa Republican who sits on the defense spending subcommittee, said he had asked for an Army briefing on the subject. "I want to fully understand this initiative and the effect it could have in Alabama," Shelby said.

Although he is retiring at the beginning of next year, U.S. Rep. Sonny Callahan, R-Mobile, still chairs the House panel that drafts the corps' annual budget. Lawmakers temporarily blocked any transfer of the agency's functions in a recent resolution to keep the federal government afloat until Congress wraps up work on fiscal 2003 spending bills, Callahan said.

"I remain hopeful," he continued, that the Defense Department will ask for congressional advice before proceeding with changes to the corps' civil works responsibilities.

The corps already depends heavily on private contractors to handle millions of dollars in dredging work each year. Several observers had varying views on the impact of extending that reliance into other areas of the corps' workload.

At the Mobile-based Warrior-Tombigbee Waterway Association, which represents commercial river users in south Alabama, President Sheldon Morgan predicted that privatization would fragment such interlocking missions as flood control and keeping rivers fit for barge and ship traffic, with devastating results.

"You can't separate them; it's like cutting off your arm or leg," Morgan said.

But at Business Executives for National Security, a nonpartisan policy organization in Washington, D.C., that seeks more efficiency in defense spending, analyst Paul Taibl said the Army is following the lead of many corporations by trying to re-focus on core missions.

"That doesn't mean that the Army won't have to go through a fairly rigorous process before it decides to outsource," Taibl said. "The way the federal rules are written today, it's pretty restrictive."

But he added that federal employees should have "a fair shake" at competing for their jobs and acknowledged risks in sending out work to contractors. Some companies that took that route are now bringing functions back in-house, he said.

Howard Marlowe, a Washington lobbyist who represents communities attempting to tap into the corps' growing role in beach renourishment, saw reason for both worry and optimism.

On the one hand, corps bureaucrats typically take seven to 15 years from the first study to actually put sand on the beach, Marlowe said.

On the upside, he said, communities get high-quality work and a 50-year warranty on beach maintenance. "We don't want to lose that in any way, shape, or form," he said.

OMB, Lawmakers See Fault In Army Privatization Plan

By Chet Dembeck

The Army is launching an aggressive effort to privatize as many as 200,000 civilian and military jobs. A new review underway focuses on weapons arsenals, repair depots and ammunition plants as possible targets for privatization.

But while the move fits the Bush administration's strategy to streamline government operations, the Army's methods appear to run counter to those approved by the White House and Congress. As a result, the effort is likely to run into resistance from lawmakers fearful of losing jobs in their districts and White House officials who want to outsource work only through a competitive process.

Angela Styles, the Office of Management and Budget outsourcing and procurement chief, applauds the Army's effort to try to make its operations more efficient. However, she said she has misgivings about portions of the Army proposal that call for shortcuts to competition.

"The president's plan is to inject competition into the process, not outright privatization," Styles said. "We'll take a look at each privatization on a case-by-case basis to see if they'll be counted toward its competitive-sourcing goal."

The Army's privatization effort could affect 154,910 civilian jobs — about 70 percent of all the Army's civilian jobs — and 58,727 military positions, said James Wakefield, the Army official overseeing the project. All the targeted positions are considered "non-core" positions, meaning they serve in roles not considered essential to the Army's mission.

The Army has more than 220,000 civilian employees and 480,000 military personnel.

In an Oct. 4 memorandum, Army Secretary Thomas White directed all commands to review their non-core positions and decide which ones could be outsourced or privatized. White said the unprecedented effort will free up financial and personnel resources for the global war on terrorism by shedding the Army of functions not central to military operations.

In the past, such outsourcing initiatives had been limited to logistics services at bases, such as maintenance and repair. But under the new initiative, other positions, such as paralegal and information technology jobs performed by both civilian and military personnel, could be outsourced.

In the memo, obtained by Federal Times, White said this will be the Army's third effort since the 1980s to streamline itself through the use of public-private competitions. White has labeled this initiative the Third Wave.

Traditionally, such public-private competitions are conducted under complex rules spelled out in Office of Management and Budget Circular A-76. Under A-76 competitions, federal employee teams compete with contractors for work being done by federal employees. Whichever group can do the job at least cost wins the competition under those rules.

But White is expanding the scope of methods available to Army managers for deciding whether Army activities can be farmed out to the private sector.

"You will develop and present to me your implementation plans for privatizing, divesting, competing using A-76, outsourcing using alternatives to A-76, [and] converting military spaces to civilian or contract" positions, White wrote.

White called for transferring many jobs using alternatives to this process, including transferring some functions entirely to other agencies. White did not offer details of the functions or the agencies that would perform them for the Army.

~~White said the outsourcing effort differed from past initiatives because it would be faster and bigger and it will examine activities other than base operations.~~

In another memo obtained by Federal Times, White directs the Army Materiel Command to draft "action plans" for the potential sale or privatization of Army arsenals, ammunition plants and repair depots. The Army has five repair depots and seven arsenals and an unknown number of weapons plants.

Those actions plans, according to the Aug. 20 memo, which is unsigned, are due to White on Nov. 28.

An official at the Army Materiel Command who asked not to be identified confirmed that the command is working on these actions plans but stressed that no final decisions concerning those Army installations have been made. The actions plans apparently were ordered by White under the recommendation of a secret study conducted by the Rand Corp. of Santa Monica, Calif., which is a research organization that often advises the military.

The Army Materiel Command "will implement the RAND recommendations to the extent possible," the memo stated.

Rep. Solomon Ortiz, D-Texas, whose district is home to Corpus Christie Army Depot, said the Army's effort is likely to run into resistance in Congress. Ortiz plans to ask that the House Armed Services Committee, of which he is a member, to hold a hearing on the Army's plans.

Ortiz is "clearly unhappy with the prospects of such privatization" and is "anxious to take a look at the plan," said his aide, Cathy Travis.

In launching the Third Wave project, commands are directed to review their non-core positions. Commanders can request specific positions be exempt from the screening; they have until Oct. 29 to notify the Pentagon of such requests. The decisions on which jobs would be exempted will take place by Dec. 20 and the outsourcing program should be in full swing by March 2003, Wakefield said.

This announcement came one week after the Army took the day-to-day management of base contracts and support activities out of the hands of base commanders by creating two new agencies, the Installation Management Agency and the Army Contracting Agency.

Both actions are part of White's transformation effort, which is intended to make the Army more efficient by adopting the business practices of corporations.

The war on terrorism also is spurring the action, said John Anderson, who manages manpower issues for the Army.

"We must transfer highly trained military personnel back in positions where their military competencies can be best used," Anderson said.

This could be easier said than done, because many of the alternatives to competitive sourcing will require legislation, which Wakefield said the Army would push. Options could include abandoning some activities altogether, allowing federal workers to create companies that would perform the functions they now do, or allowing cities and towns near Army bases to collect trash, fix streets and provide other base-support services.

OMB's Styles also faulted public partnerships, so far considered for only a small handful of military bases, as "almost sole-source contracts."

The Army will begin the effort by using traditional competitive sourcing and direct privatization, Wakefield said.

The Army's initiative is sure to face stiff opposition from federal workers' labor unions. "We expect support for ending the Pentagon's privatization quotas to command even more bipartisan support," said Bobby Harnage, president of the American Federation of Government Employees.

Federal Computer Week
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Army IT Jobs Under Scrutiny

Transformation spurs privatization of civilian workforce

By Dan Caterinicchia

The Army disclosed this month its intention of possibly putting more than 200,000 positions classified as "noncore competencies" out for bid, including more than 55,000 jobs related to information technology and communications.

Army Secretary Thomas White said the service cannot truly change unless its business processes are part of its plans to transform into the Objective Force — a strategy to develop advanced IT tools, vehicles and weaponry to make the Army's armored forces more agile and lethal, and better able to survive an all-out fight. The Army has devoted 97 percent of its fiscal 2003 science and technology budget to the design and development of the Objective Force and enabling technologies.

In an Oct. 4 memo, White wrote that the service "must focus its energies and talents on its core competencies — functions we perform better than anyone else — and seek to obtain other needed products or services from the private sector where it makes sense."

White said the Army will "privatize every noncore function" for which Army commanders can develop an effective business case. The Army has begun outsourcing the construction and renovation of its family housing units — some of which are decrepit — and will spend \$700 million to privatize that function in fiscal 2003. Army officials expect to complete the outsourcing by 2007.

White added that any noncore IT and communications function also could be outsourced. According to Army documents, the jobs eligible for outsourcing include more than 53,000 military and civilian noncore functions in the office of the assistant secretary for acquisitions, logistics and technology, and more than 12,000 total positions in the chief information officer's office.

"We're already doing that business with [the Defense Information Systems Agency], where roughly 85 percent of the work is outsourced," White told Federal Computer Week after an Oct. 3 luncheon speech sponsored by the Armed Forces Communications and Electronics Association's Washington, D.C., chapter.

John Anderson, assistant deputy assistant secretary of the Army for manpower, said the Army's goal is to find the "best source provider" to keep pace with emerging technologies, best commercial practices and the service's aging workforce.

Officials at the Army's new Network Enterprise Technology Command (Netcom) would make the decision to privatize any IT or communications function, White told FCW, but "any time we can take a noncore function and get a value proposition for it, we'll do it."

Col. Mark Barnette, chief of the information infrastructure modernization division in the Army CIO's office, said that as the service continues to implement its enterprise IT vision, which focuses on reducing the costs of maintaining information systems servicewide and integrating knowledge management concepts and best practices into Army processes, it is evolving its management approach of IT supporting warfighters and Army business processes.

"Since we are still in the preliminary stage of organizing ourselves to make these kinds of commercial sourcing decisions, we have not identified any specific IT areas for outsourcing at this time," Barnette said. "We expect Netcom to perform ongoing assessments for sourcing strategies in providing IT services that are compatible and support our ability to engage in overseas theaters and the Army's mission to deploy and fight. We expect this to happen in late [fiscal] 2003 and 2004."

In an Oct. 10 meeting with reporters, Anderson repeatedly referred to the secretary's guidance as a "preconditional study" and said no final decisions had been made. Until Oct. 29, Army commanders can request that jobs be exempted from the outsourcing directive; White will decide on those requests by Dec. 20.

The Army would begin the process of outsourcing jobs in March 2003.

But the Army may run into opposition in Congress. Cathy Travis, communications director for Rep. Solomon Ortiz (D-Texas), the ranking member on the Readiness Subcommittee of the House Armed Services Committee, said Ortiz was "unhappy" with the Army's outsourcing plan and is "in the process of asking for a hearing to review it."

"I have not had an opportunity to review the Army's outsourcing plan," said Sen. Carl Levin (D-Mich.), chairman of the Senate Armed Services Committee. "I expect the Army and the other military services to comply with legal requirements for public/private competition before the outsourcing of any functions that are currently performed by public employees."

Opposition also came from Jacqueline Simon, public policy director for the American Federation of Government Employees, who called the memo "a scandal."

"It has nothing to do with public/private competition," Simon said. "It's about shifting work to contractors, and whatever alternatives the Army wants to use, they can use."

Anderson, however, argued that Congress mandates that the Army conduct an annual personnel authorization review to assess the best mix of military, civilian and contract employees. "We want to get the best bang for the buck for these types of [noncore

positions] and get the military in functions where they've been trained to perform," he said.

Jim Wakefield, deputy chairman of the Army's Non-Core Competencies Working Group, said that during the ongoing second wave of outsourcing, which began in fiscal 1997, 13,000 positions reached the final decision process, resulting in 375 civilians losing their jobs through July of this year. Military personnel whose positions are outsourced or eliminated are rotated to other units, he said.

The Army has not determined how it will outsource the jobs. "We're still in the middle of vetting things," Anderson said. "That's why we're 'predecisional.' "

When asked what percentage of the more than 213,000 jobs now deemed noncore might result in civilian layoffs, Wakefield said he had "no basis to say whether it will be higher, lower or the same, but we're hoping it will be the same low percentage."

Army's outsourcing plans

Army Secretary Thomas White's Oct. 4 memo signified the start of the "third wave" of public/ private competition. It differs from the previous two waves because it includes functions besides the base operations of logistics, public works, information management and training ranges.

The memo says the third wave will also be "bigger and faster" by including the Office of Management and Budget's Circular A-76, which outlines how to determine whether government services should be outsourced, as well as a number of alternatives. Those alternatives include city/base partnerships, strategic partnering and quasi-governmental corporations, which require congressional legislation and approval from OMB, according to Army documents.